

Performance of MSMEs Sector in India

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Abstract

Entrepreneurship generally speaking refers to the overall course of action undertaken by an owner in starting and managing his enterprise for profit. Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. Over last 5 decades MSME sector emerged as extremely effervescent and vigorous segment of Indian economy. There is continuous growth in MSME employment and MSME providing more employment opportunities over last 7 years. MSME service industry contribution to GDP is growing lower over 6 years of period. National manufacturing competitiveness program - to build sustainable capacity, overcoming global competitiveness and healthy growth through eight components which includes: incubator, intellectual property awareness, quality management, technology up gradation, marketing assistance, design expertise and promotion of ICT. MSME provides to promote skill development to increase productivity and providing accessible credit through government sponsored agency exclusively to MSME is essential to increase productivity and contribution to economic growth.

Key words: MSME, economy, technology, productivity and government

Introduction

The word entrepreneurship is borrowed from the French language. It is from 'entreprendre' means to 'undertake'. Thus entrepreneur is 'undertaken' in literal sense of the word. Initially, the concept was used in the military sphere and later on it began to be applied to construction, engineering and other related activities.

Entrepreneurship generally speaking refers to the

overall course of action undertaken by an owner in starting and managing his enterprise for profit, however, the term entrepreneurship continues to be used in different ways. One usage relates entrepreneurship to the process leading to the creation and running of any new business regardless of its size, product, service, potential, or form of ownership. Another view point sees entrepreneurship as being essentially concerned with developing a new idea, based on which a risk bearing unique product, service or method is marked by means of setting up a new independent.

Introduction to MSME

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. They also play a key role in the development of the economy with their effective, efficient, flexible and innovative entrepreneurial spirit.

Definitions of Micro, Small & Medium Enterprises

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:

1. **Manufacturing Enterprises**-he enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The Manufacturing Enterprise is **defined in terms of investment in Plant & Machinery**.
2. **Service Enterprises**:-The enterprises engaged in providing or rendering of

services and are defined in terms of investment in equipment.

MSME acronym to Micro, small and medium enterprises, in accordance with Micro, small & medium enterprises development act, 2006 classified into two classes:

Manufacturing enterprises, which involved in the manufacture or production of goods relating to any industry specified in schedule of Industry act 1951 or employing plant and machinery in the process of value addition to final product having a discrete name or character or use and defined in terms of investment in plant & machinery:

Enterprises	Investment in Plant & Machinery (Manufacturing)	Investment in Equipment (Services)
Micro	Upto Rs.25 lakh	Upto Rs.10 lakh
Small	Above Rs. 25 lakh upto Rs.5 Crore	Above Rs.10 lakh upto Rs.2 Crore
Medium	Above Rs. 5 Crore upto Rs.10 Crore	Above Rs.2 Crore upto Rs.5 Crore except machinery and equipment-2.33% and others 19.4%.

- ✚ Retail trade(except of motor vehicle & motor cycles) and Repairs of personal and household goods - 39.85%
- ✚ Manufacturing of wearing apparels- 8.75%
- ✚ Manufacturers of foods and beverages-6.94%
- ✚ Other services activities -6.2%, other business activities – 3.77%
- ✚ Hotels and restaurants-3.64%

OVERVIEW OF INDIAN MSME:

Over last 5 decades MSME sector emerged as extremely effervescent and vigorous segment of Indian economy. MSME plays dual role of providing employment and industrialization of rural/backward areas, thereby reducing regional imbalance and equitable distribution of national income. MSME's are harmonizing to large industries as supplementary units, which adds to socio economic development. It consists of 36 million units, providing employment over 80 million persons with 8% contribution to GDP.

Leading industries of MSME sector (as per 2014-15 MSME report):

INFORMATION INVESTIGATION Performance of MSME, Employment and Investments

Sl No.	Year	Total working enterprise (in lakh)	Employment (in lakh)	Market value of fixed Asset (Rs. In crore)
1	2006-07	361.71	805.23	868,543.79
2	2007-08	377.36	842.00	920,459.84
3	2008-09	393.7	880.84	977,114.72
4	2009-10	410.8	921.79	1,038,546.08
5	2010-11	428.73	965.15	1,105,934.09
6	2011-12	447.64	1011.69	1,182,757.64
7	2012-13	447.54	1061.4	1,268,763.67
8	2013-14	488.46	1114.29	1,363,700.54

Sources: Annual report 2014-15, GOI, Ministry of MSME

Interpretation

Total working enterprise in MSME grown at

CAGR 4.39% from 2006-07 to 2013-14, there is fluctuation in annual growth rate and during 2012-13 negative growth in total working enterprises. Employment growth in CAGR 4.75% from 2006-07 to 2013-14, there is continuous growth in MSME employment and MSME providing more employment

opportunities over last 7 years. Market value of fixed asset growth in CAGR stands at 6.65% from 2006-07 to 2013-14; market value increased over a period of time.

Contribution of manufacturing output of MSME in GDP

Sl No	Year	Gross Value of Output of MSME Manufacturing Sector (in crore)	Share of MSME sector in total GDP (%)			Share of MSME Manufacturing output in total Manufacturing Output (%)
			Manufacturing Sector MSME	Services Sector MSME	Total	
1	2006-07	1198818	7.73	27.40	35.13	42.02
2	2007-08	1322777	7.81	27.60	35.41	41.98
3	2008-09	1375589	7.52	28.60	36.12	40.79
4	2009-10	1488352	7.45	28.60	36.05	39.63
5	2010-11	1653622	7.39	29.30	36.69	38.5
6	2011-12	1788584	7.27	30.70	37.97	37.47
7	2012-13	1809976	7.04	30.50	37.54	37.33

Sources: Annual report 2014-15, GOI, Ministry of MSME

Interpretation

Gross value of output of MSME manufacturing sector (in crore) grown at CAGR of 7.17% during 2006-07 to 2012-13 and the growth rate highly fluctuated. Share of manufacturing sector growth rate to GDP with CAGR of negative -1.53% during 2006-07 to 2012-13 and indicates MSME manufacturing industry contribution to GDP is down over 6 years of period. Share of service sector growth rate to GDP with CAGR of 1.82% during 2006-07 to 2012-13 and indicates MSME service industry contribution to GDP is growing lower over 6 years of period.

SUPPORT SYSTEM DEVELOPED BY THE CENTRAL GOVERNMENT:

Khadi and Village Industries Commission (KVIC).

The Khadi & Village Industries Commission (KVIC), established under the Khadi and Village Industries Commission Act, 1956, is a statutory organisation engaged in promoting and developing khadi and village industries for providing employment opportunities in rural areas, thereby strengthening the rural economy. The KVIC has been identified as one of the major organisations in the

decentralized sector for generating sustainable rural non farm employment opportunities at low per capita investment.

Small Industries Service Institutes (SISI)

The institute functions under the Ministry of SSI, Government of India and it provides services such as preparation of project reports, training programmes in different activities, extending technical assistance and offering guidance on Industrial policy of Government of India. It is a pioneer organisation, to develop small scale industries through counseling, consultancy/training. It also assists the industries in marketing the products and acquiring quality standards. At present the SIDO has been administering 28 SISIs and 30 branch SISIs working in different parts of the country.

Coir Board

The Coir Board is a statutory body established under the Coir Industry Act, 1953 for promoting overall development of the coir industry and improving the living conditions of the workers engaged in this traditional industry. The activities of the Board for development of coir industries, inter-alia, include undertaking scientific, technological and economic research and development activities; developing new products & designs; and marketing of coir and coir products in India and abroad. It also promotes co-operative organisations among

producers of husks, coir fibre, coir yarn and manufacturers of coir products.

Small Industries Development Organisation (SIDO)

The SIDO established in 1954 was created for development of various small scale units in different areas. It is a subordinate office of department of SSI and ARI and a nodal agency for identifying the needs of SSI units, coordinating and monitoring the policies and programmes for promotion of the small industries. Over the years, it has seen its role evolve into an agency for advocacy, hand holding and facilitation for the small industries sector. It has over 60 offices and 21 autonomous bodies under its management. These autonomous bodies include Tool Rooms, Training Institutions and Project-cum-Process Development Centres. The SIDO has recognised the changed environment and is currently focusing on providing support in the fields of credit, marketing, technology and infrastructure to SSIs. Global trends and national developments have accentuated SIDO's role as a catalyst of growth of small enterprises in the country.

National Board for Micro, Small and Medium Enterprises (NBMSME)

In pursuance of the MSME Development Act, 2006, the National Board for Micro, Small & Medium Enterprises consisting of a total of 47 members have been constituted. The 20 non-official members on the Board represent industry associations of MSMEs from all over the country while the other 27 members comprise Members of Parliament, Ministers of six State Governments, representatives of RBI, Banks etc. The main agenda of the Board is to solve the various issues relating to development of MSMEs and come out with remedial measures which are undertaken in consultation with the concerned departments/agencies.

Regional Training Centers (RTCs):

These centers are located in major cities and are responsible for quality awareness programme among the small units. For this purpose, they are engaged in systematic testing and technical consultancy services. These centre's are also responsible for assisting field testing stations which are expected to provide testing services to SSI units.

National Small Industries Corporation Limited (NSIC)

The National Small Industries Corporation (NSIC) Ltd. was established by the Government as a Public Sector Company in 1955. The main function of the corporation is to promote, aid, and foster the growth of micro and small enterprises in the country, generally on a commercial basis.

National Institute for Entrepreneurship and Small Business Development (NIESBUD)

NIESBUD is an apex body established by Ministry of Micro, Small & Medium Enterprises. The Government of India for coordinating, training and overseeing the activities of various institutions/agencies engaged in entrepreneurship development particularly in the area of small industry and small business. Its main activities are to evolve effective training strategies and methodology, standardising model syllabi for training various target groups, formulating scientific selection procedure, developing training aids, manuals and tools, facilitating and supporting Central/State/Other agencies in organising entrepreneurship development programmes, conducting training programmes for promoters, trainers and entrepreneurs and undertaking research and exchange experiences globally.

Indian Institute of Entrepreneurship (IIE)

The Indian Institute of Entrepreneurship (IIE) was established in the year 1993 in Guwahati by the erstwhile Ministry of Industry (now the Ministry of Micro, Small and Medium Enterprises), Government of India as an autonomous national institute with an aim to undertake training, research and consultancy activities in small and micro enterprises focusing on entrepreneurship development.

Small Industries Development Bank of India (SIDBI)

For ensuring larger flow of financial and non-financial assistance to the small scale sector, the Government of India set up the Small Industries Development Bank of India (SIDBI) under Special Act of Parliament in 1989 as a wholly owned subsidiary of the IDBI. The SIDBI has taken over the outstanding portfolio of the IDBI relating to the small scale sector for promotion, financing and development of the SSI sector and for coordinating the activities of other institutions. It is the principal financial institution for the promotion, financing and development of industry in the small, tiny and cottage sectors and for coordinating the functions of the institutions engaged in similar activities.

GOVERNMENT POLICY INITIATIVES:

- Implementation of MSME development act 2006, which provides rules and regulation for MSME
- Reservation and de reservation of products for manufacture in MSME sector- to achieve socio economic development, enhancing technological and achieving economies of scale.
- National manufacturing competitiveness program - to build sustainable capacity, overcoming global competitiveness and

healthy growth through eight components which includes: incubator, intellectual property awareness, quality management, technology up gradation, marketing assistance, design expertise and promotion of ICT.

- Public procurement policy through implementation of technology in tenders.
- E-governance – to facilitate employment, virtual cluster, share database, B2B portal and mobile friendly website.

Key Challenges Faced By the MSME Sector

- ❖ Lack of availability of adequate and timely credit
- ❖ High cost of credit
- ❖ Collateral requirements
- ❖ Limited access to equity capital
- ❖ Procurement of raw material at a competitive cost
- ❖ Problems of storage, designing, packaging and product display
- ❖ Lack of access to global markets
- ❖ Inadequate infrastructure facilities, including power, water, roads, etc
- ❖ Low technology levels and lack of access to modern technology
- ❖ Lack of skilled manpower for manufacturing, services, marketing, etc
- ❖ Multiplicity of labour laws and complicated procedures associated with compliance of such laws.

Despite the various challenges it has been facing, the MSME sector has shown admirable innovativeness, adaptability and resilience to survive the recent economic downturn and recession

CONCLUSION:

Though MSME total working enterprises, employment and market value of fixed assets grown at CAGR of 4.39%, 4.75% and 6.64% respectively, the contribution from manufacturing and service sector MSME contribution to GDP is -1.53% and 1.82% respectively. Though government has taken measure to improve the productivity, over last 7 years the MSME contribution to GDP has not increased to acceptable level. It is suggested that government has to adopt integrated policy, providing sound data with efficient governance, promote skill development to increase productivity and providing accessible credit through government sponsored agency exclusively to MSME is essential to increase productivity and contribution to economic growth.

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